

HOUSE

RESEARCH

ORGANIZATION bill analysis

5/12/87

HB 1849

Cavazos et al.

SUBJECT: State-supported student loans

COMMITTEE: Higher Education: favorable, without amendment

VOTE: 7 ayes--Delco, D. Hudson, C. Evans, Millsap, Rangel, Rodriguez, Watkins

0 nays

2 absent--Uher, Schlueter

WITNESSES: For--Michael Novak, Texas Association of Student Financial Aid Administrators; Mack Adams, Texas College and University System Coordinating Board

Against--None

DIGEST: HB 1849 would permit the Texas Opportunity Plan Fund, through the Hinson-Hazelwood College Student Loan Program, to make loans to students who are ineligible for federal student loans and who otherwise would not have enough money to go to college.

The bill would also extend the maximum loan payment time from 10 to 20 years. It would allow the college coordinating board to collect a loan origination fee on student loans.

SUPPORTERS SAY: HB 1849 would allow the state to make student loans to Texas residents who are not eligible for federal loans and do not have enough money to go to a state- accredited school. The new federal regulations on college student loans made in 1986 make it almost impossible for a student from a middle-income family to get a federally insured student loan. It is also impossible for a student to get a bank loan that is not guaranteed.

The new federal guidelines are unrealistic, for example, a family with an annual income of \$40,000 would, under the new federal guidelines, be required to spend up to \$10,000 a year to send their child to school before the student would be eligible to receive a federally secured loan. If the student's college expenses were \$20,000 a year and the family paid \$5,000, then under this bill, the student could get a \$5,000 state-backed loan. Since the student would have

\$10,000 in expenses paid from non-federal secured sources, the student would become eligible to borrow the remaining \$10,000 from a federally insured program.

The time to repay a loan under the state student loan program would be extended to 20 years to give students more flexibility in repaying loans. The federal government requires that federally insured loans be paid back within 10 years of graduation. Extending the repayment period for state-supported loans would give the student more time and lower payments to pay off all the education loans.

This bill would allow the coordinating board the option to collect an origination fee to help defray the costs of making the loan. Those costs are now paid from appropriated funds.

OPPONENTS

SAY:

No apparent opposition.

NOTES:

The companion bill, SB 1096 by Barrientos, was referred to the Senate Education committee on March 16.